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Average Daily Membership Audit Report Snowflake Unified School District No. 5 Fiscal Years 2004, 2005, and 2006

Report Number 08-03

December 21, 2007

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Superintendent of
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December 21, 2007

Governing Board
Snowflake Unified School District
682 School Bus Lane
Snowflake, AZ 85937

Dear Members of the Board and Superintendent:

The Arizona Department of Education Audit Unit has conducted a limited scope Average Daily Membership audit of the Snowflake Unified School District, for Fiscal Years 2004, 2005, and 2006. The purpose of the audit was to determine whether the District should have received state aid for students participating in school programs after having graduated or having met graduation requirements.

The audit found that the District should not have received state aid for many of these students, either because they had already met graduation requirements, or were not offered sufficient services to warrant state aid.

The audit becomes final 30 days after issuance, unless the District files an appeal. Appendix A in the report provides rules governing the appeals process.

We appreciate the excellent cooperation and assistance provided by the Superintendent and staff during the course of the audit. My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Arthur E. Heikkila
Chief Auditor

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INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) has conducted a limited scope Average Daily Membership (ADM) audit of the Snowflake Unified School District, pursuant to the provisions of Arizona Revised Statutes A.R.S. §§15-915, 15-239, and Session Laws 2006, Chapter 353, H.B. 2874, Section 23, for FY2007, and Session Laws 2007, Chapter 264, H.B. 2790, Section 17, for FY2008. This audit focused on whether it was appropriate for the District to receive state aid for students participating in the District's Youth Transition Program or who were enrolled beyond the usual 4 years of high school.

Attendance audits help ensure the appropriate distribution of state aid to schools. Since ADE distributes over \$5 billion annually in public school funding to schools based on attendance and other factors, it is important that schools accurately report their student count to ADE.¹ However, if a school's student count is inaccurate, that school could then receive an incorrect amount of monies from ADE. Attendance audits determine if schools are receiving the correct amount of state aid based on their reported attendance. If the audit determines that an incorrect amount of state aid was distributed to a district based on incorrect attendance information, ADE will make the correction by adjusting a future payment or payments to the District.

The Snowflake Unified School District is located in Navajo county in the city of Snowflake. A 5-member school board governs the school district which is managed by a superintendent. In FY2005-2006, the Snowflake District had approximately 2,500 students enrolled in its six schools ranging from kindergarten through high school. Table 1 provides the District's student, staffing and financial, information for FY2004, FY2005, and FY2006.

Table 1
Snowflake Unified School District
Students, Staffing, Revenues and Expenditures
FY2004, FY2005 and FY2006
(Unaudited)

	FY2004	FY2005	FY2006
Students Enrolled	2,513	2,557	2,542
Staff			
Certified	150	151	159
Classified	<u>115</u>	<u>119</u>	<u>135</u>
Total Staff	<u>265</u>	<u>270</u>	<u>294</u>
Revenue			
Local	\$ 2,896,981	\$ 3,131,162	\$ 3,822,350
State	9,487,580	10,207,308	10,786,971
County	302,600	301,578	318,736
Federal	<u>2,347,330</u>	<u>2,358,940</u>	<u>2,064,122</u>
Total Revenues	<u>\$15,034,491</u>	<u>\$15,998,988</u>	<u>\$16,992,179</u>
Total Expenditures	<u>\$15,329,542</u>	<u>\$16,656,176</u>	<u>\$17,264,163</u>

Source: "Annual Report of the Arizona Superintendent of Public Instruction," for FY2004, FY2005, and FY2006.

¹ School districts are funded based on "student count", which is defined in A.R.S. §15-901(14) as Average Daily Membership for the fiscal year prior to the current year.

The Snowflake District offers a program called the Youth Transition Program (YTP), designed to help students with disabilities find and maintain work in the community. The program is offered to both high school and post high school students. Post high school students in the program are designated extenders. Program oversight and administrative costs were funded with a federal grant from the Arizona Department of Economic Security, and required partial matching of District local funds. The funding provided for a YTP program coordinator and an assistant. The District submitted attendance information for these students to ADE and subsequently received state aid based on that information.² Table 2 shows the number of YTP students along with other students enrolled beyond the twelfth grade for FY2004, FY2005, and FY2006.

Table 2

**Snowflake Unified School District
YTP Students and Other Students
Enrolled Beyond the Twelfth Grade
FY2004, FY2005, and FY2006**

Program	FY2004	FY2005	FY2006	Total
YTP	15	13	17	45
Other ^a	<u>6</u>	<u>4</u>	<u>8</u>	<u>18</u>
Total	<u>21</u>	<u>17</u>	<u>25</u>	<u>63</u>

^a Other students enrolled beyond the 12th grade.

Source: Auditor analysis of student information obtained from the SAIS ADMS75 report for FY2004, FY2005, and FY2006.

² Arizona's schools receive monies from the State based on student attendance and other factors. Schools are required every 20 days to submit daily attendance information to ADE for each student enrolled. Attendance information is used by ADE to calculate Average Daily Membership (ADM). ADE then calculates a school's basic state aid payment based on ADM and other factors and distributes these monies to schools 10 times annually.

SCOPE AND METHODOLOGY

The audit reviewed whether the District should have received state aid for YTP program students and other students who have completed at least four years of high school education or already met the District's graduation requirements.

Staff from ADE's Audit Unit and Exceptional Student Services (ESS) performed the audit. Audit Unit staff performed the Average Daily Membership component of the audit and ESS staff reviewed the special education aspect of the audit.³ To gain an understanding of the YTP program, District administrators and staff were interviewed, auditors reviewed District student information for students in the YTP program, including student files, attendance records, enrollment and withdrawal forms, and transcripts.

- To determine whether the District's YTP program and other students were eligible to receive state monies, auditors used several methods. First, auditors reviewed attendance information for 63 students from ADE's Student Accountability Information System (SAIS) to identify the number of students in the YTP program. Additionally, auditors reviewed pertinent statutes and ADE guidelines regarding attendance and graduation, and obtained District graduation guidelines and graduation lists to determine whether students in the programs had met graduation requirements. Finally, auditors consulted with staff from the Arizona Attorney General's Office to obtain legal input regarding statutory graduation and state aid funding requirements.
- To determine whether the District should have received funding for special education students who had enrolled in the YTP Program, ESS staff reviewed Individualized Education Plans (IEPs) for 45 students enrolled in the YTP program for the fiscal years audited. This review determined the types of services provided, the amount of time specified for the services and whether the IEPs were in compliance with federal and state requirements.
- To determine whether the District was appropriately receiving state aid for other students, the audit team reviewed transcripts, attendance records, cumulative files and graduation lists for all 18 students enrolled in high school for more than four years during the fiscal years audited.

The Audit Unit expresses its appreciation to the Snowflake Unified School District Superintendent and staff members as well as the Exceptional Student Services Unit from the Arizona Department of Education for their cooperation and assistance throughout the audit.

³ A.R.S. §15-901 defines ADM as "the total enrollment of fractional students and full time students, minus withdrawals, of each school day through the first one hundred days or two hundred days in session as applicable." ADE uses that information to determine the basic state aid payment to school districts.

FINDING 1: THE DISTRICT SHOULD NOT HAVE RECEIVED STATE AID FOR MOST STUDENTS IN THE YOUTH TRANSITION PROGRAM

The District should not have received state aid for most students enrolled in its YTP program. As a result, for FY2004, FY2005, and FY2006, the District overstated its ADM for students in the YTP program by 41.74, or \$342,247.89. The audit found that most of the students enrolled in this program had already met graduation requirements and one student did not receive any special education services and did not have an IEP. Therefore, these students were not statutorily eligible for state aid. Further, the District should not have delayed graduating these students who already met graduation requirements. Finally, the audit identified a significant difference between the amounts of revenue received by the District for the YTP program as compared to the program's actual expenditures.

The District Should Not Have Received Funding for Most YTP Students

Most students in the District's YTP Program were not eligible for state aid. The District did not ensure that all students enrolled in this program met the following statutory requirements to receive public school funding: 1) not graduated from the highest grade taught in the school district; 2) enrolled in at least a full-time instructional program of subjects that count towards graduation; 3) enrolled in a full-time instructional program of at least 720 hours per year; and 4) actually and physically in attendance and carrying 4 subjects that count towards graduation. The majority of the students that the District enrolled in the YTP Program had already met graduation requirements.⁴

⁴ Public school funding is primarily calculated based on the number of students physically attending the school ("ADM"). A.R.S. §15-901 et seq. A district's apportionment of state funds is based, in part, on the average daily attendance of its enrolled students. *Id.* Arizona law defines a "full-time student" as, a student not graduated from the highest grade taught in the school district, or an ungraded student at least fourteen years of age by September 1, and enrolled in at least a full-time instructional program of subjects that count toward graduation as defined by the state board of education in a recognized high school. A.R.S. §15-901(A)(2)(b)(iii). (Emphasis added). Arizona law defines a "full-time instructional program" as, an instructional program that meets at least a total of seven hundred twenty hours during the minimum number of days required and includes at least four subjects each of which, if taught each school day for the minimum number of days required in a school year, would meet a minimum of one hundred twenty-three hours a year, or the equivalent, or one or more subjects taught in amounts of time totaling at least twenty hours per week prorated for any week with fewer than five school days. A.R.S. §15-901(A)(2)(c)(vi). Arizona law defines "daily attendance" as, actually and physically in attendance and enrolled in and carrying four subjects, each of which, if taught each school day for the minimum number of days required in a school year, would meet a minimum of one hundred twenty hours a year, or the equivalent that count toward graduation in a recognized high school....Attendance of a pupil carrying less than the load prescribed shall be prorated. A.R.S. §15-901(A)(6)(d). See *Long v. Dick*, 87 Ariz. 25, 347 P.2d 581 (1959) (holding that high school pupils are in "daily attendance" when they are enrolled and are carrying four subjects and when they are also actually present) (Emphasis added).

As shown in Table 3, for FY2004, FY2005, and FY2006, a total of 43 students were over-reported to ADE by the District because 42 of them had already met graduation requirements and 1 student neither received any services nor had an IEP. Therefore, none of these students were statutorily eligible to receive state aid. As shown in Table 6 (see page 9), this translates into 41.74 ADM and \$342,247.89 in monies that ADE should recover from the District.⁵ Additionally, the District should ensure that all special education students have an IEP that includes all of the required elements and that students receiving state aid are provided sufficient services.

Table 3

**Snowflake Unified School District
YTP Students Meeting Graduation Requirements,
Receiving Appropriate Services and
No Services/No IEP
With the Overstated ADM for FY2004, FY2005, and FY2006**

Fiscal Year Findings	FY2004	FY2005	FY2006	Total
Met Graduation Requirements before enrollment in the YTP	13	13	16	42
Receiving appropriate services	1	0	1	2
No services/No IEP ^a	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>
Total YTP Students	<u>15</u>	<u>13</u>	<u>17</u>	<u>45</u>
ADM Overstatement	13.75	12.41	15.58	41.74

^a A review of student IEPs also identified 1 student who did not receive any special education services and did not have a valid IEP. As a result, the District should not have received funding for this student.

Source: Auditor analysis of District students in the YTP program.

The District Should Not Have Delayed Some Students' Graduation

In addition, the District should not have delayed graduation for 42 students enrolled in the YTP program. According to Attorney General Opinion I98-095, districts do not have the statutory authority to do so. Instead of delaying students' graduation, the District should ensure that it properly exits all students that have either graduated or have met graduation requirements.

Program Revenues Exceeded Expenditures

As a result of inappropriately receiving state monies for most students in the YTP Program, the District received a significant amount of monies as compared to the program's expenses.

⁵ In addition to this audit, the ESS team also performed a focused monitoring of the Snowflake YTP program to review some other aspects of the program, including compliance with state and federal requirements. In a separate ESS letter to the ADE Audit Unit, the team reported that: 1) present levels of academic achievement and functional performance were incomplete; 2) no measurable post-secondary goals or supporting annual transition goals were stated; and 3) no true special education services were being offered.

Specifically, for each of the three years audited, the District retained a significant balance of state aid ranging from approximately \$58,000 to \$101,000 annually for the three fiscal years audited, after paying staffing expenses and reimbursements to students. Table 4 provides student and financial detail for the years audited.

Table 4
Snowflake Unified School District
YTP Revenues and Expenditures for FY2004, FY2005, and FY2006
(Unaudited)

	FY2004	FY2005	FY2006
State Aid Received ^a	\$138,577.51	\$108,891.17	\$ 94,779.21
Federal Grant Match	<u>\$104,646.02</u>	<u>\$ 96,979.24</u>	<u>\$114,082.00</u>
Subtotal	<u>\$243,223.53</u>	<u>\$205,870.41</u>	<u>\$208,861.21</u>
District Grant Match	\$ 36,960.00	\$ 36,960.00	\$ 36,960.00
Staff Expenditures	\$ 73,911.14	\$ 91,882.47	\$102,856.01
Program Expenditures	<u>\$ 30,734.88</u>	<u>\$ 5,096.77</u>	<u>\$ 11,225.99</u>
Subtotal	<u>\$141,606.02</u>	<u>\$133,939.24</u>	<u>\$151,042.00</u>
Net Balance Retained	<u>\$101,617.51</u>	<u>\$ 71,931.17</u>	<u>\$ 57,819.21</u>

^a Does not include state aid received for students eligible for FY2005, and FY2006.

Source: Auditor analysis of District attendance and financial records..

Recommendations

1. The Arizona Department of Education should recover \$342,247.89 in state aid that the District should not have received for students who were statutorily ineligible for funding for FY2004, FY2005, and FY2006.
2. The District should ensure that all special education students have an IEP that includes all of the required elements and that students receiving state aid are provided sufficient services.
3. The District should properly exit all students that have either graduated or met graduation requirements.

FINDING 2: THE DISTRICT SHOULD NOT HAVE RECEIVED STATE AID FOR STUDENTS WHO HAD ALREADY RECEIVED THEIR DIPLOMAS AND MET GRADUATION REQUIREMENTS

In addition to inappropriately receiving state aid for most students in the YTP Program, the District should not have received state aid for 7 other students that were also not eligible for state aid. Similar to the YTP students, these students were ineligible for state aid because they had either met the District's graduation requirements or did not attend school. ADE should recover these monies that the District should not have received.

The District Should Not Have Received Funding For Some Other Students

In addition to the YTP Program students for which the District should not have received funding, the audit identified 7 other students for which the District inappropriately received \$33,739.05 in state aid (see Table 6, page 9). The District should not have received state aid for these students because they had either already met graduation requirements or did not attend school. A review of student information such as student records, transcripts, and graduation reports, revealed that 6 of these students had already received their diplomas. Additionally, the review identified 1 student who did not attend school at all during FY2004.⁶ Since all of these students were statutorily ineligible for the District to receive funding, ADE should recover these monies from the District. Finally, the District should ensure that students who have met graduation requirements, graduated, or who do not attend school are not included in its student count reported to ADE for funding.

Table 5 shows the number of other students meeting graduation requirements, not attending school, and students found eligible, along with the ADM overstatement for each fiscal year.

Table 5

**Snowflake Unified School District
Other Students Who Graduated or Met Graduation Requirements,
Not Attended and Eligible With the Overstated ADM For FY2004, FY2005, and FY2006**

Fiscal Year Findings	FY2004	FY2005	FY2006	Total
Graduated or met graduation requirements	3	0	3	6
No Attendance	1	0	0	1
Eligible	<u>2</u>	<u>4</u>	<u>5</u>	<u>11</u>
Total Other Students	<u>6</u>	<u>4</u>	<u>8</u>	<u>18</u>
ADM Overstatement	1.73	0	2.68	4.41

Source: Auditor analysis of other students' attendance records.

⁶ The District, however, did provide attendance reports to ADE stating that this child was attending school.

Recommendations

1. The Arizona Department of Education should recover \$33,739.05 in state aid that the District should not have received for the fiscal years audited.
2. The District should ensure that students who have met graduation requirements, graduated, or who do not attend school are not reported in their student count as reported to ADE for funding.

ADM FUNDING ADJUSTMENTS

The audit identified an overall funding adjustment of \$375,986.94 that the District will have to remit to ADE. Statutes allow repayment in 12 months or 24 months for hardship situations with the approval of the State Superintendent of Public Instruction. Statutes and Rules also provide for a formal appeal process through the Office of Administrative Hearings if the District disagrees with the audit results. The District has 30 days from the issuance of the audit to request an appeal.

Table 6 lists the ADM overstatements and funding adjustments for the District for FY2004, FY2005 and FY2006.

Table 6

**Snowflake Unified School District
ADM Overstatements and Funding Adjustments Required for
FY2004, FY2005, and FY2006**

	FY2004		FY2005		FY2006		Total	
	ADM	Amount	ADM	Amount	ADM	Amount	ADM	Amount
YTP	13.75	\$138,577.51	12.41	\$108,891.17	15.58	\$ 94,779.21	41.74	\$342,247.89
Other	<u>1.73</u>	<u>\$ 17,435.57</u>	<u>0.0</u>	<u>\$ 0.00</u>	<u>2.68</u>	<u>\$ 16,303.48</u>	<u>4.41</u>	<u>\$ 33,739.05</u>
Total	<u>15.48</u>	<u>\$156,013.08</u>	<u>12.41</u>	<u>\$108,891.17</u>	<u>18.26</u>	<u>\$111,082.69</u>	<u>46.15</u>	<u>\$375,986.94</u>

Source: Auditor analysis of SAIS and District student and financial data for FY2004, FY2005, and FY2006.

APPENDIX A

State Rules for Appealing Audits

The audit determination pursuant to A.R.S. §15-915 is an agency action to which you can file an appeal. The audit report and letter along with this information serve as notice of your appeal rights under A.R.S. §41-1092.04. Your right to a hearing and right to an informal settlement conference are described below in detail per Arizona Revised Statutes.

A.R.S. §41-1092.03. Notice of appealable agency action; hearing; informal settlement conference; applicability

- A. An agency shall serve notice of an appealable agency action pursuant to section 41-1092.04. The notice shall identify the statute or rule that is alleged to have been violated or on which the action is based and shall include a description of the party's right to request a hearing on an appealable agency action and to request an informal settlement conference pursuant to section 41-1092.06.
- B. A party may obtain a hearing on an appealable agency action by filing a notice of appeal with the agency within thirty days after receiving the notice prescribed in subsection A of this section. The notice may be filed by a party whose legal rights, duties or privileges were determined by the appealable agency action. A notice of appeal also may be filed by a party who will be adversely affected by the appealable agency action and who exercised any right to comment on the action provided by law or rule, provided that the grounds for appeal are limited to issues raised in that party's comments. The notice of appeal shall identify the party, the party's address, the agency and the action being appealed and shall contain a concise statement of the reasons for the appeal. The agency shall notify the office of the appeal and the office shall schedule a hearing pursuant to section 41-1092.05, except as provided in section 41-1092.01, and subsection F.
- C. If good cause is shown an agency head may accept an appeal that is not filed in a timely manner.

A.R.S. §41-1092.06. Appeals of agency actions; informal settlement conferences; applicability

- A. If requested by the appellant of an appealable agency action, the agency shall hold an informal settlement conference within fifteen days after receiving the request. A request for an informal settlement conference shall be in writing and shall be filed with the agency no later than twenty days before the hearing. If an informal settlement conference is requested, the agency shall notify the office of the request and the outcome of the conference, except as provided in section 41-1092.01, subsection F. The request for an informal settlement conference does not toll the sixty day period in which the administrative hearing is to be held pursuant to section 41-1092.05.
- B. If an informal settlement conference is held, a person with the authority to act on behalf of the agency must represent the agency at the conference. The agency representative shall notify the appellant in writing that statements, either written or oral, made by the appellant at the conference, including a written document, created or expressed solely for the purpose of settlement negotiations are inadmissible in any subsequent administrative hearing. The parties participating in the settlement conference shall waive their right to object to the participation of the agency representative in the final administrative decision.